
Conceptual Approaches in Providing the Effective and Responsible Management of State Programs Management

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Abstract:

The article proves that state programs turn to be the basic tool for increasing the effectiveness of budget expenditures within the framework of program-targeted budget planning and forecasting framework. Obligatory conditions for openness, departmentalism, and effectiveness of state programs implementation correspond to the need to ensure the transparency of budget procedures and openness of authorities' activities.

The article is aimed at studying the conceptual approaches of executive bodies in ensuring the effective management of state programs including disclosure of the specifics of the development of state programs, increasing their effectiveness and monitoring the use of budgetary funds on the basis of finding a balance between the increasingly complicated tasks of the state budget policy and the established budgetary opportunities.

To achieve the goal, the following objectives are set: revealing methodological approaches to the formation of state programs; suggesting ways to improve the evaluation of state programs effectiveness at all stages of the budget process on the basis of the system of indicators; outlining the prospects for planning and financing state programs.

The article suggests conclusions on the improving the quality of management and control of state programs as an obligatory condition for effective and responsible management of budgetary funds.

Keywords: State programs, effectiveness, performance, budget reform.

JEL Classification Codes: H11, H40, H50.

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1. Introduction

The development and improvement of program structure of the public and legal entities' budgets in the domestic practice corresponds to the current trends in the implementation of the Program for Improving the Efficiency of State and Municipal Finance Management for the Period up to 2018. In this aspect, program budgeting is considered as a set of measures aimed at improving the efficiency of the public sector, which corresponds to the main idea of program budgeting (improving the efficiency and effectiveness of budget expenditures in the country's budget system).

The Russian experience in the formation and execution of budgets in the program format is rather slight (starting from 2004, when the Decree of the Government of the Russian Federation of May 22, 2004 No. 249 "On Measures to Improve the Effectiveness of Budget Expenditures" was adopted), but it revealed the following advantages as well:

- budget expenditures reflect the priorities of the country's socio-economic development according to the approved state programs;
- a balance between current and long-term budget planning and forecasting is provided, taking into account existing and accepted expenditure obligations arising in the course of program implementation;
- state programs became an instrument for financial management of long-term development of public and legal entities, since they are based on effective application of resources and market potential of the territories;
- responsibility in the public sector of management increases both for customers and program executors for targeted and efficient use of allocated resources;
- strategic directions are specified, which allows ensuring the integration and target orientation of various activities designed to resolve certain problems and tasks of socio-economic development of the territory.

At the same time, the domestic practice of developing and financing government programs revealed certain problems such as:

- 1) lack of methodological recommendations for long-term forecasting of the socio-economic development of the territory and state programs ensuring their combination and effectiveness;
- 2) imperfection of the mechanisms for completing the funding of inefficient programs;
- 3) accepting new expenditure obligations under the current state programs, even if there is a reasonable estimate of the budgetary allocations necessary for their implementation, leading to an increase in the volume of funding;
- 4) ensuring transparency and efficiency of procurement on the state programs.

Moreover, the transition to the formation of budget spendings with the application of the program-target method specified additional conditions for the stability and

balance of the budgets of the budgetary system, which ensure budget allocations for existing spending obligations under state programs. Only with complete funding of state programs we can expect achieving the objectives and results. In conditions of a budget deficit, it is difficult to implement the objectives set in the state mid-term and long-term programs at full extent and ensure the achievement of all performance indicators.

Hence, an interdependent chain of budgets' effectiveness indicators arise: stability and balance of budgets - financial support for state programs - achievement of specific results for each program. It is necessary to implement a set of measures to ensure the long-term balance and stability of state budgets:

- 1) development and implementation of the budget strategy of all public and legal entities aimed at creating conditions for real GDP growth and GRP of the constituent entities of the Russian Federation;
- 2) ensuring the safe level and structure of the country's state debt;
- 3) regulation of maximum amount of budget expenditures.

The implementation of all these measures is designed not only to strengthen the budgets of public and legal entities but to ensure the funding of state programs as an instrument for socio-economic development of the territories. In our opinion, the openness of state programs reflects the transparency of the activities of authorities. It should be noted that recently, as a result of medium-term budgetary programs' implementation, the value of the Open Budget Index for the Russian Federation has increased from 47 points in 2006 (ranked 28th among 59 countries) to 74 in 2012 (ranked 10th among 100 countries), and in 2014, the value of the Index was 77 points.

In accordance with the methodology of the study, the Russian Federation was included into the group of countries providing *"a significant amount of information on the budget process to the public"*. The strategic target for improving the quality of financial management is to achieve the value of the Open Budget Index of 85 points by 2020 with the entry of the Russian Federation into the group of countries *"providing extensive information to citizens on the budget."*

Thus, the procedure for the formation of state programs is a comprehensive one, including the need to increase their budget transparency, ensuring the effectiveness and performance of programs and acts as a condition for improving the quality of state finance management.

2. Theoretical, Empirical, and Methodological Grounds of the Research

No doubt that state programs turn to be an instrument for implementing the country's budget policy in priority areas. But as a budget tool, programs require reasonable amounts of funding, otherwise the tool can not be used since there is no object of

use. The objective need to provide sufficient funding for the developed activities of state programs is the first step towards achieving the goals of increasing the effectiveness of budget expenditures. In this regard, practice specified an important question to the theory: what results could be considered effective?

Despite the longer international experience of finding an effective procedure for funding budget expenditures, the world practice of results-based budgeting has not found an unambiguous answer since the planned results do not always correspond to the concept of efficiency in quantitative measures. For example, socially-oriented programs, medical or educational programs, in direct quantitative terms do not reflect the content of the effectiveness of spending budgets.

At the same time, their social character indicates the need for state support. Defining priority funding directions, the authorities should take into account theoretical provisions on the main functions of government bodies such as: defense of the country, support of the economy, social protection of citizens, country governance. In economic theory, the concept of the role of the state in country's economic development is gaining more and more importance, revealing the need to combine market and state methods of budget financing in practice, and the program funding method is among them.

The problem of choosing the priority areas and optimal amounts of funding with the greatest effect and result obtained through the formation and implementation of targeted programs is very relevant for the domestic practice of budget financing in conditions of budget deficits. First of all, we are talking about the structure of the passport of the state program, namely: the customer, the executor, the purpose, objectives, terms and amounts of financing, activities, and performance indicators. An integrated approach to the formation of state programs' structure requires that even at the stage of program formation, all activities are clearly identified with technical tasks assigned to them, if necessary, involving the experts. Otherwise, the results of the program implementation may not be effective.

Elements that ensure the effectiveness of the state program include: the purpose of the program; a system of criteria or indicators of program effectiveness; the definition of the responsibility of the customer and the executor for the results of the program; determination of connections between activities and indicators of program effectiveness (Shekhovtsov and Shchemlev, 2017; Menshchikova and Sayapin, 2016; Akopova and Przhedetskaya, 2016).

The experience of forming the state programs in domestic practice of budget funding reflects that the most difficult thing is not the definition of activities or directions of the program or even the calculation of funding, but the development of a system for its effectiveness assessing. The main holders of budgetary funds are facing the problem of choosing criteria for assessing the achievement of the program goal.

Particular importance in the choice of criteria for the effectiveness of state programs is to justify the phased financing of activities and subprogrammes. The passports of state programs indicate the main parameters of program funding together with performance indicators, but the problem of achieving real results meeting world standards and best practices still remains. One of the reasons for this problem can be called the obligatory simultaneous quantitative and qualitative measurement of the results. As known, quantitative performance indicators are traditional in the practice of program funding. Achieving qualitative results that would characterize the quantitative effectiveness of state programs turns to be the most difficult thing.

Defining indicators simultaneously reflecting the quantitative and qualitative effectiveness of measures or subprograms of state programs should become the basis of the system for assessing their effectiveness, as well as the effectiveness of internal and external state financial control. Program budgeting assumes the creation of a system of programs' monitoring and evaluation that needs a set of evaluation indicators:

- evaluation of the goal and the solution of the tasks of state programs;
- evaluation of objectives of subprograms included in the state program;
- evaluation of the degree of implementation of activities, departmental target programs, activities of state programs, and achievement of expected results;
- the degree of compliance of quantitative funding amounts with the costs;
- evaluating the effectiveness of funds application from budgets of public and legal entities.

Assessing the effectiveness of the implementation of state programs is performed in two stages. At the first stage, the effectiveness of the implementation of state programs is assessed including the evaluation of state programs' goals and objectives achievement, evaluation of the implementation of activities, evaluation of compliance with the planned level of costs, and evaluation of the effectiveness of state budget funds application. At the second stage, the effectiveness of the state program implementation is assessed, including the evaluation of achievement of state programs' objectives and effectiveness evaluation.

The methodology for assessing the effectiveness of the state program according to the Methodological Guidelines for the Development and Implementation of Government Programs of the Russian Federation is an algorithm for evaluating the actual effectiveness in the process and following the implementation of the state program and should be based on assessing the effectiveness of the state program, taking into account the amount of resources aimed at its implementation, as well as the realized risks and socio-economic effects.

The methodology for assessing the effectiveness of the state program allows the evaluation procedure throughout the implementation period at least once a year. The

methodology for assessing the effectiveness of the state program should take into account the need for evaluating:

- 1) the extent to which the goals and objectives of subprogrammes and the government program as a whole are achieved;
- 2) the degree of compliance with the planned level of costs and efficiency of applying the funds of public and legal entities' budgets;
- 3) degree of implementation of departmental target programs and main activities (achievement of expected immediate results of their implementation).

The need for developing indicators of effectiveness for individual activities is conditioned by the fact that as a result, it will be possible to make better management decisions in adjusting tasks, the amount of funding, terms, etc. These indicators will allow comparing the effectiveness of individual measures. Rating and ranking measures are also applicable. The solution of problems and the removal of existing limitations at all levels of government program management is expected to be implemented through the implementation of the following proposals:

- 1) The transition to long-term budget planning should be implemented both at the federal and regional levels.
- 2) It seems justified to expand their rights in the distribution of the total (adjusted) amount of budget appropriations for subprograms, main activities, departmental target programs and co-executors, participants in state programs to increase the financial independence of responsible executors of state programs.
- 3) it is necessary to form common approaches to linking the state programs of the constituent entities of the Russian Federation with the relevant state programs of the Russian Federation including ensuring the interrelation of the system of goals, objectives, indicators, risks, and financial indicators in programs of different levels to improve the quality of the state programs being developed.
- 4) An important restriction for program-targeted methods implementation is the discrepancy between the processing time and the submission of statistical data on the basis of which, in accordance with the current procedures, indicators and indicators of the state programs of the Russian Federation are calculated, the timing of the assessment of the effectiveness of the implementation of the state programs of the Russian Federation and the formation of a draft federal Law on the federal budget for the next fiscal year and planning period.

The solution of the above tasks and the removal of restrictions will help increasing the effectiveness of budgets' spending. Moreover, an effective system of state financial control will help achieving the goal of increasing the effectiveness of state programs. In connection with the formation of a program-based budget, the monitoring bodies require application of methods and tools of state financial control that are adequate to modern realities, allowing to determine the degree of

achievement of the planned socio-economic results and, thereby, to assess the effectiveness of the use of state funds for state programs.

3. Results

It is necessary to find and determine objective methods for evaluating the effective expenditure of budgetary funds for a full-fledged evaluation of state programs effectiveness. This requires the search and creation of reasoned methods for assessing the effective use of budget funds. Priority in the development of these methods is given to the definition of criteria and indicators of state funds utilization effectiveness. The algorithm of the methodology for assessing the effectiveness of the state program could be presented in the following sequence:

The first stage of the methodology evaluates the program at the stage of development and adoption: an assessment of structural elements of the text part to determine how clearly they are formulated and logically corresponded. The key elements are: the goal, objectives, program activities, targets, allocation of funds, openness, and transparency of the program.

The second stage of the methodology is the evaluation of the program at the implementation stage. The criteria included in this section are universal for the evaluation of state programs. Within the framework of this stage, the effectiveness of budget expenditures as well as the level of openness and transparency of the procedure for allocating funds under the state program is assessed. At the same time, one should proceed from the understanding that the criteria are the signs that allow evaluating and classifying the analyzed object, characterizing phenomena, and capable of serving as a measure of achievement of the set goals.

The criteria are objective only if they are chosen as a result of a comprehensive analysis of the audited sphere of state funds application and the activity of the objects of verification, reflect their features and are consistent with the objectives of performance audit. The clarity of the criteria lies in the fact that they must have expressions that do not contain ambiguity and could not be the subject to different interpretations by either the auditors or report users on the results of this performance audit. Comparability of the criteria lies in the fact that they be consistent with the criteria for assessing the effectiveness used in conducting a similar performance audit in this area of state funds application or similar facilities, and they could be used in conducting similar performance audits. The criteria are sufficient only if on the basis of their totality, reasoned conclusions are made about the effectiveness of state funds application in accordance with the stated objectives of budget funds effectiveness.

In order to optimize the mechanism for realizing the evaluation of budget funds application effectiveness, it becomes necessary to improve the system of indicators

that characterizes various aspects of the functioning of the state program. Thus, the types of effectiveness of budget funds application are different, and many authors have different approaches to determining indicators for assessing the effectiveness of budget spending on government programs.

In our opinion, special attention should be given to the so-called financial and non-financial indicators, which allow assessing not only the economic effect or effectiveness of the state program, but also the socioeconomic, environmental, and other consequences of the state program's impact on the external environment. To say, among the main groups of state programs' indicators, we could name the following:

- economic indicators characterizing the achievement of specified results using the least possible amount of costs. This component is determined by comparing the resources and funds applied with the same indicator of the previous period or with similar indicators of other programs. Thus, applying of state funds will be effective only when the cost per unit of output and services rendered, or the volume of products and services per unit of costs, will be equal to or less than planned (if there are appropriate standards). If such standards are not available, then the actual relation between costs and results can be compared with the similar relation between costs and results in other government programs. In our opinion, three main types of economic efficiency are distinguished: the ratio of costs to the results obtained, expressing the economy of the use of funds (economy); the ratio of the result to the goals (performance); as the relation of goals to real needs, problems (reasonability). The final expression of efficiency:

$$Ef = R/E * E/R * P/3$$

Moreover, economy can be considered differently in relation to the features of the development and management of the institution. When considering the dependence of efficiency on the growth of the activity of an institution, for example, through the development of institutions' network, extensive development does not lead to an increase in efficiency as an economy. If we consider the intensification of the activities of the institution, then the effectiveness in this case increases depending on the level of institutions' work. The dependence of the efficiency growth on the introduction of new progressive forms of management, the improvement of new methods and forms of work of institutions with a reduction in costs, the preservation of the result leads to an increase in efficiency;

- social indicators characterizing the definition of final social effect for society as a whole or a certain part of the population. To do this, it is necessary to have a set of specific and quantitatively measurable indicators reflecting the performance of a particular function or task. Social indicators are used as monitoring tools for social development, giving an idea of the current state of society, its transformations,

trends, crises, and the quality of management decisions. Important areas of social development, measured by social indicators, are the functioning of the public administration system, the adequacy of the institutional arrangement, the effectiveness of state resources application. In the context of social efficiency we note that the priority in the process of implementing state programs should be given to social efficiency, which corresponds to the priorities of modern state financial policy, but since the final social result could be manifested in the long run, it is very difficult (or almost impossible) to determine and control. Consequently, social efficiency should be replaced by budgetary efficiency revealed in the reduction of the budget deficit, budget debts, an increase in the expenditures of budgets providing innovative and investment activity, the growth of social expenditures etc. Thus, budget efficiency indicates how the budget revenues and expenditures have changed under the results of the program implementation. The main indicator of budgetary effectiveness is the budgetary effect B calculated as the difference between budget revenues (Rv) and budget expenditures (Ex):

$$B = Rv - Ex$$

Budget efficiency is a relative indicator of the effect for the budget as a result of budgetary funds application and in the framework of result-oriented budgeting procedures.

Together with economic and social indicators, we can also highlight the following:

- legal indicators characterizing legal acts that regulate activities in the industry, legal acts that significantly affect the implementation of the state program, etc.;
- industry indicators characterizing the features of the market for goods, works and services, production technologies relevant to the state program being implemented and so on.

Among the main methods for measuring the effectiveness of state spending are:

- estimating methods (comparison method, index method, benchmarking);
- diagnostic methods (factor analysis, simulation modeling, regression analysis);
- heuristic methods (methods of peer review, scoring).

The third stage of the methodology is the evaluation of state program effectiveness. The reporting procedure is assessed in this section as follows: the availability of reports, the openness and accessibility of reporting, the social results of grants/subsidies' implementation, and the reporting of program implementation to higher authorities.

The evaluation of each block of the state program is carried out separately in

accordance with determined, quantitatively expressed criteria. The result of the examination indicates the level of compliance of the state program with the criteria. The final result is expressed in percentages (the maximum level is 100%) and displays the percentage of points scored by the estimated state program out of the maximum points.

Increasing the efficiency of state resources application, providing the society with high-quality social services, achieving openness of the activities of government bodies and the public sector require a systematic approach to improving the tools for assessing the effectiveness of budget spending on state programs in modern conditions of reforming the Russian economy. One of the core tools in the activities of external public administration should be the audit of efficiency. It involves not only an analysis of the achievement of the planned results, but also the development of recommendations for the elimination of systemic causes hindering their achievement.

The efficiency audit is designed to assess the effectiveness of the activities of authorities and local governments in terms of the effectiveness of the implementation of state (municipal) programs, as well as the achievement of the ultimate goals and objectives of these programs in the social, economic, and other social spheres of the society. This method of state financial control could provide a new approach to the organization and conducting of both subsequent and operational control of state programs. Applying the performance audit could be considered as an important stage in the process of improving state financial control of state programs, which undoubtedly will lead to a change in approaches to carrying out control activities.

State expenditures' effectiveness audit should be constructive. When analyzing the results using performance audit, one should not concentrate only on critical remarks. The most important part of the audit of the effectiveness of state expenditures is not only conclusions, but also recommendations for improving the efficiency of state funds.

4. Conclusions and recommendations

Solving the issues identified in the process of formation and execution of state programs with a view to increasing their transparency and efficiency is possible through further improving the program-target method in the following areas:

- granting the responsible executors of state programs with the ability of redistribution of budget allocations in the execution of the budget;
- accounting of all state policy instruments including budgetary expenditures, tax benefits, control and supervisory functions, legal, technical, administrative regulation;

- implementation of the effectiveness audit of state programs and strengthening the responsibility of managers for the implementation of state programs;
- considering the results of the effectiveness evaluation when planning budget allocations;
- when organizing control, the focus should be shifted from managing the financial flows to monitoring results using expert assessments of the audited economic situation in the areas of misuse of budget funds or other irregularities;
- development of state programs and performance indicators, taking into account realistic ceilings of budget expenditures for each measure and phase of the program;
- expansion of authority and responsibility of the program's customers for the development of terms of reference for activities, as well as acceptance acts from the executors;
- expansion of authorities and responsibilities of state programs' executors for effective and high-quality result;
- implementation of the order and criteria for assessing the quality and effectiveness of the state programs implementation at every single stage, which in fact means the development of a road map for the state program's implementation.

In our opinion, proposals for improving the procedure for the formation of state programs are of particular practical interest at the present stage:

- actualization of implemented programs and detailing their "roadmap";
- coordination of budget classification codes of state programs with international standards of financial reporting, which is intended to ensure transparency in the application of state programs;
- continuous operational monitoring of the implementation of state programs aimed at identifying potential risks for the execution of the program and their leveling;
- implementation of the evaluation mechanism at all stages of state programs' implementation on the basis of performance audit, determining the most effective options for budget financing.

One of the pushing approaches to improving the quality of program implementation and effective application of budget funds is increasing the financial literacy of the population. Notable, that the project of the Ministry of Finance of Russia on financial literacy of the population reached the final stage of the international competition "Child & Youth Finance International Global Inclusion Awards" within the framework of the Global Partnership for Financial Accessibility of the Group of Twenty with Germany as a Chair.

Global Inclusion Awards was created by the international organization "Child & Youth Finance International" (CYFI) to identify special achievements and innovative approaches, as well as the world's best practices in financial literacy training at the international, national, and regional levels. CYFI's active participants

are government agencies, financial institutions, and public organizations around the world. The company "Synapse" has developed the Budget calculator as part of financial literacy improvement project In Russia. Every citizen could formulate his draft budget in electronic form, taking into account the legislatively established restrictions. It seems advisable to develop and implement a budget calculator for government programs that will complement the "Budget for Everyone" and promote citizens' understanding of which programs and are funded by the budget.

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